

Message Text

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ORIGIN AF-08

INFO OCT-01 ISO-00 EB-07 STR-04 COME-00 TRSE-00 GSA-01
AID-05 CIAE-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02
OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 /059 R

DRAFTED BY AF/EPS:AJILLSON:SFB
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EB/GCP:MBASS (DRAFT)
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FM SECSTATE WASHDC
TO AMEMBASSY LUSAKA

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E.O. 11652: N/A

AGS: ETRD, ZA

SUBJECT: GSP AND ZAMBIAN COPPER

1. US IMPORT STATISTICS FOR GSP ELIGIBLE PRODUCTS DURING THE FIRST 10 MONTHS OF 1976 WERE REVIEWED IN DECEMBER TO SEE WHICH COUNTRIES WILL PROBABLY LOSE GSP BENEFITS FOR CERTAIN PRODUCTS. UNDER THE 1974 TRADE ACT A COUNTRY CAN LOSE GSP BENEFITS FOR ONE OF ITS PRODUCTS IF THAT COUNTRY SUPPLIES OVER 50 PERCENT OF US IMPORTS OF THAT ITEM OR IF THE COUNTRY EXPORTS TO US MORE THAN A CERTAIN DOLLAR LEVEL OF THAT PRODUCT IN THE PREVIOUS YEAR. FOR 1976, THE EXCLUSION LEVEL WAS DOLS. 26.6 MILLION BASED ON 1975 EXPORT STATISTICS. FOR 1977 THE DOLLAR EXCLUSION CEILING WILL BE INCREASED TO COMPENSATE FOR THE GROWTH IN US GNP.

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US DEPARTMENT OF COMMERCE ESTIMATES THAT 1977 LEVEL WILL BE ABOUT DOLS. 28 MILLION. UNDER THE LAW, THE ONLY COUNTRY WHICH COULD QUALIFY FOR A WAIVER OF EXCLUSION UNDER THIS DOLLAR CEILING IS PHILLIPINES FOR HISTORICAL REASONS.

2. US IMPORT DATA REVEAL THAT ZAMBIA HAS EXPORTED DOLS. 141 MILLION OF UNWROUGHT COPPER (TSUS 612.06) TO US DURING

FIRST TEN MONTHS OF 1976. THEREFORE ZAMBIA WILL LOSE GSP BENEFITS FOR THIS TYPE OF COPPER AROUND MARCH 1, 1977, FOLLOWING FORMAL DETERMINATION BASED ON FULL YEAR

IMPORT STATISTICS. AS A RESULT ZAMBIA WILL BE EXCLUDED ON THIS ITEM AT LEAST UNTIL MARCH 1, 1978. DUTY OF .8 CENTS PER POUND WILL BE RESUMED AT THAT TIME. PERU, CHILE AND YUGOSLAVIA WILL ALSO BE EXCLUDED FROM GSP BENEFITS FOR SAME TARIFF NUMBER. IF ZAMBIA FALLS BELOW THE DOLLAR OR PERCENTAGE LIMITS MENTIONED ABOVE IN CALENDAR YEAR 1977, INTERAGENCY TRADE POLICY STAFF COMMITTEE (TPSC) MAY BUT DOES NOT HAVE TO REDESIGNATE ZAMBIA FOR GSP BENEFITS ON THIS ITEM. IT IS IMPOSSIBLE AT THIS TIME TO PREDICT WHAT ACTION TPSC WOULD TAKE SHOULD ABOVE SITUATION OCCUR.

3. IT WOULD APPEAR THAT THE LOWER LME COPPER PRICE COMPARED WITH US DOMESTIC PRODUCER PRICE IN 1976 LED US COPPER TRADERS TO SEEK ADDITIONAL COPPER FROM FOREIGN SOURCES OF SUPPLY. EXISTENCE OF GSP PRICE DIFFERENTIAL MADE ZAMBIAN COPPER PARTICULARLY ATTRACTIVE IN THIS SEARCH. WE WOULD EXPECT THAT ZAMBIA'S LOSS OF GSP WILL HAVE SOME NEGATIVE EFFECT ON US DEMAND FOR ZAMBIAN COPPER. THE DEGREE OF THIS NEGATIVE EFFECT WILL DEPEND ON NON-TARIFF FACTORS AFFECTING BOTH GENERAL US DEMAND FOR IMPORTED COPPER (REDUCED DEMAND FOR FOREIGN COPPER GENERALLY FROM ANY LESSENING IN THE DIFFERENTIAL BETWEEN THE LME AND THE DOMESTIC US COPPER PRICE OR INCREASED DEMAND FROM THE POSSIBLE OCCURENCE IN JUNE OF A US COPPER REFINERS STRIKE, LIMITED OFFICIAL USE

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AND ANTICIPATED INCREASED ACTIVITY IN THE US ECONOMY) AND THOSE NON-TARIFF FACTORS UNIQUE TO ZAMBIA COMPARED WITH OTHER COPPER PRODUCERS (RELATIVE TRANSPORT COSTS). GENERAL DEMAND FOR ZAMBIAN COPPER WILL OF COURSE REMAIN LARGEY DETERMINED BY MARKET CONDITIONS WITHIN THE ECONOMIES OF TRADITIONAL PURCHASERS.

4. DEPT BELIEVES THAT IF EMBASSY HAS NO OBJECTIONS IT WOULD BE BEST TO ADVISE ZAMBIAN OFFICIALS IN ADVANCE OF THIS FORTHCOMING EXCLUSION, LEAVING TO THE EMBASSY THE TIMING OF SUCH AN APPROACH.
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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, GENERALIZED PREFERENCES (TARIFFS), IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Jan-1977 12:00:00 am
Decapton Date: 01-Jan-1960 12:00:00 am
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE001961
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Document Unique ID: 00
Drafter: AJILLSON:SFB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770005-0154
Format: TEL
From: STATE
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19770177/aaaacpqx.tel
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Review Exemptions: n/a
Review Media Identifier:
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Review Release Event: n/a
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Review Withdrawn Fields: n/a
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Secure: OPEN
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